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Former officials Nuñez, Boxer and Villaraigosa lead exodus from powerful lobbying firm



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Former prominent Democratic elected officials Fabian Nuñez, Barbara Boxer and Antonio Villaraigosa led the mass resignations from one of the state's most powerful lobbying firms, Mercury Public Affairs.

The departures are largely prompted by financial disputes. Nuñez filed a lawsuit that alleges that Omnicom — Mercury's parent company — failed to live up to an agreement that would allow the California group to grow its business around the world. The suit also faults Omnicom for its use of restrictive covenants — in effect noncompete clauses — that are illegal under California law even if signed. And Nuñez excoriates the company's handling of a foreign nonprofit tied to former Trump campaign manager Paul Manafort that exposed Mercury to liability and public denouncement.

"I have no choice but to stand up for not only my business, but my reputation and my dignity," Nuñez, a <u>former state Assembly speaker</u>, wrote in a resignation letter to Omnicom Chief Executive John Wren on Friday.

The lawsuit and the resignations — from about a quarter of the company's workforce — throw into doubt the California presence of a powerhouse lobbying firm, which has raked in \$1.3 million so far this year from clients such as Clorox, Lyft, the California Charter Schools Assn. and Westlands Water District, the utility that oversees the heart of the state's agricultural lands in the Central Valley.

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Nuñez, Villaraigosa, Boxer and the other California employees who left the company plan to set up a public affairs and consulting firm.

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"All our clients are coming with us," said Villaraigosa, the former Los Angeles mayor who also accused Omnicom of holding them "hostage" with noncompete clauses.

Boxer, the former United States senator, did not respond to a request for comment.

Spokespeople for Omnicom Group and Mercury said they could not comment until Thursday.

Mercury, a bipartisan firm, has multiple offices in the United States, including in Washington, Albany, N.Y., and Austin, Texas, and has an international reach as well. The company is registered with the U.S. Justice Department to represent a number of foreign entities, including the governments of Ethiopia and Haiti.

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The firm has long been an influential lobbying force in California politics.

Former Assemblyman Mike Gatto, a Los Angeles Democrat who chaired the Assembly Appropriations Committee, said Mercury's reputation in the state Capitol was distinct from that of other public affairs firms.

"Mercury actively sought former elected officials. They wanted to expand very fast, and they did," Gatto said. "They went from, for lack of a better term, a run-of-the-mill lobbying shop that still had significant power to a very, very prestigious shop that transcended lobbying in many ways."

Nuñez, the largest minority shareholder, joined the firm 13 years ago.

He and Kirill Goncharenko, a founding partner of Mercury and a co-plaintiff in the lawsuit, are seeking a declaration that they could continue to work with their clients in California and London, and pursue new opportunities without violating their noncompete clauses, which they argue are illegal in California.

They accuse Omnicom of violating their agreement to allow them to open new offices and for Omnicom to acquire these offices once they met certain benchmarks.



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In the resignation letter, Nuñez also raises the company's handling of a nonprofit referred to Mercury by <u>Manafort, who went to prison for crimes</u> stemming from his work on behalf of Ukraine's former pro-Russian government.

Nuñez alleges a law firm tied to Omnicom was working with a Belgium-based entity but refused to register under the Foreign Agent Registration Act. Once the nongovernmental organization was revealed to be funded by a Ukrainian oligarch, Mercury was investigated by federal prosecutors for not registering through FARA and lost clients, including a \$1.4-million contract with the nonprofit California Endowment, because of the association with Manafort.

Though Mercury and its personnel were ultimately not prosecuted, the Omnicom-linked law firm ended up settling with the Department of Justice. Omnicom would not allow the personnel to sue, Nuñez said.

Most public affairs firms have little visibility beyond the close-knit world of political insiders. But Mercury is an exception, said Jessica Levinson, a professor at Loyola Law School, in part because it employed well-known public figures such as Boxer, Villaraigosa and Nuñez.

"In the public affairs world, that's the equivalent of having three degrees from an Ivy League," said Levinson, former president of the Los Angeles Ethics Commission.

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Seema Mehta is a reporter who covered the 2020 campaign, the fourth presidential race she has written about for the Los Angeles Times. She started at the Times in 1998 and recently completed a Knight-Wallace fellowship at the University of Michigan.



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